

INSURANCE DOSSIER
2013



ITALIAN MARKET TRENDS
2012/2013



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EXECUTIVE SUMMARY

Market uncertainty and volatility heavily affected the performance of insurance industry in 2012. Life insurance turnover continued to contract in many of the main European markets due to the same factor which depressed premium growth in 2011, namely low household savings ratio and the unappealing level of guaranteed yields, especially in comparison with those of bank products, which were also supported by aggressive marketing strategies. These factors are clearly at play in the Italian market, where premiums were down 3.8%. Much of the fall was recorded in the first part of the year: the rebound in confidence following ECB action in September boosted collection in the final quarter of the year.

As in 2011, the growth in non-life premiums seen in many European markets mostly reflects rate hikes, which continue to adjust in order to compensate for the poor technical results seen over the past years and the modest contribution of financial yields to overall profitability. In Italy rate adjustment has been more rapid than in other countries but moderated significantly in 2012. Its effect on prices was more than offset by the weakness in domestic demand and written premiums fell by 1.3%, with motor lines posting a 1.1% decrease. Nevertheless, data on listed companies show a marked improvement in technical profitability: overall non P&C combined ratio dropped to 97.7%, thanks to the sizeable contraction in claims frequency in motor LoBs and the effect of a law prescribing stricter controls on small bodily injuries. Direct distribution channels continue to expand and now they intermediate over 8% of the motor business.

The reduction in financial stress at the end of 2012 significantly helped financial results, especially in the life industry. The embedded value of the listed companies was up 48.8% and the average ROE increased from 5.1% to 6.1%. In the non-life lines, better underwriting results helped lift ROE from 3% to 5.3%.

EUROPEAN INSURANCE MARKETS:

The Insurance sector has faced another difficult year, weighed down by the weak and fragile economic environment. As a result, premiums growth was either feeble or negative in most European markets in 2012, according to preliminary data, with some few exceptions to be found among CEE/CIS countries.

Furthermore, results underline a dichotomy between non-life and life businesses, with the latter showing the worst performance.

European Insurance Market Trends												
	Total				Life				Non-Life			
	2009	2010	2011	2012	2009	2010	2011	2012	2009	2010	2011	2012
AT	1,3	2,0	-1,7	-0,9	0,7	1,8	-7,5	-6,7	1,3	2,0	2,9	3,4
CH	0,5	2,3	2,5	1,5	-0,6	1,8	3,3	1,8	1,9	2,9	1,4	1,1
CZ	2,9	8,4	-0,7	-0,1	5,8	19,2	0,3	1,9	0,6	-1,6	-1,6	-1,4
DE	4,2	4,3	-0,4	2,2	7,1	6,0	-3,9	0,8	0,2	0,9	2,5	3,7
ES	1,1	-2,8	4,1	-5,3	5,7	-6,2	9,5	-9,0	-4,3	-0,7	-0,3	-1,9
FR	9,1	3,3	-9,0	-3,9	12,7	4,3	-14,0	-8,0	0,6	2,3	4,0	4,0
HU	-6,6	2,4	-3,4	-6,8	-10,5	8,2	-0,8	-9,4	-2,1	-3,5	-6,5	-3,7
PL	-13,5	5,4	5,7	9,6	-22,4	3,8	1,5	14,2	3,8	7,9	11,6	3,8
SK	-3,9	1,9	2,0	0,2	-4,0	6,1	1,4	1,8	-3,7	-2,5	2,5	-1,6

Note: Non-Life is not inclusive of Health for Austria, France and Germany.

The contraction in households' savings, the fierce competition from banking products, and the persistence of high volatility and uncertainty in the financial markets represented the major constraints to the Life sector's expansion in 2012. Moreover, the very low level of interest rates is putting pressure on insurers' profitability, and has induced several regulators to cut down minimum guaranteed rates, further reducing the appeal of life products.

The drop in Life premiums was most severe in Hungary, Spain and France. As far as the latter country is concerned, premium dropped by 8%, and 2012 was the first year in the history of its insurance market to record a negative cash flow (€3.4 bln.), due to a marked increase in claims payment.

(continues on page 8)

French insurance market reform

Changes to the resiliation rules of some non-life contracts (Loi de consommation)

Last April France approved the so-called Loi de Consommation. Article 17 makes it easier to cancel a non-life insurance contract. It stipulates that, for all contracts with a tacit renewal clause, the customer can terminate the contract at any time after the first year, without incurring in any penalty. The lines of business to which this new law will be applied have yet to be defined, but it is likely that it will affect the motor and MRH business, whereas credit protection has been explicitly excluded. Concerning motor TPL the law states that an existing contract can be cancelled only if the customer proves he has already purchased another one. The aim of the measure is to spur competition, but there is a strong concern that in the end the new measure will only increase variability (by jamming the usual seasonal underwriting pattern) and costs, leading to rate hikes; moreover, in the motor sector, the new rules will increase the likelihood of frauds. The new law gives customers the possibility to cancel a contract within 14 days from the signature in case the policy covers a risk for which the insured is already covered.

Extension of complementary health insurance

On May 14, the French parliament passed a reform of the country's labour market. Article 1 will require all firms to offer their employees complementary health insurance by January 1st 2016.

Trade unions and employers will have to agree, at the industry level, on the type and degree of coverage offered, the breakdown of payments between employer and employee and the choice of the company/agency which will provide the complementary coverage. These will be chosen through a competitive procedure, according to transparent criteria which will be set out in a future law.

Representatives of this sector will then designate or recommend to the businesses the companies or other agencies which will be providing the health coverage. If no agreement in the same industry-sector is signed by July 1, 2014, employers must negotiate company-level agreements. If no agreement is reached, companies must in any case offer their employees a minimum level of cover (to be defined by government regulation) by January 1, 2016.

However, employees are not obliged to pay for collective health or risk coverage if this coverage was unilaterally decided for by their employer.

It is very likely that there will be a mass migration from contracts underwritten by individual employees towards collective forms of coverage which are undoubtedly more economical for them.

According to estimates made by Malakoff-Mederic, the largest health service provider in France, after the reform the amount paid by the employee, regardless of his age, will be on the average € 32.5 per month (assuming that the agreement with his employer is 50/50) with some variation due to the different kinds of activity. At present the average monthly payment of an individual policy is € 55 for those under 40 years of age, € 90 for those between 40-50 and € 105 for those who are older.

The Berger-Lefevre report on long-term savings

In addition to legislative changes a report on the reform of the taxation of long term savings, written by two MPs (Karine Berger and Dominique Lefevre), was presented.

The report puts forward some types of measures concerning the insurance sector:

First of all the report recommends that the favourable tax treatment on regulated bank-deposits (Livret A, "Livret de développement durable") has to be kept, as well as the planned increase in the maximum amount that can be invested in these products. The resources collected with these products will be devoted not exclusively to social housing (as it is currently the case) but also to the financing of infrastructure projects. More generally, the report advises the government not to change the taxation of savings product at least for the next five years. Regarding more specifically life insurance products, its favourable fiscal treatment should undergo only marginal changes, aimed at allowing insurers a more active asset management in order to increase long term yields and a bigger scope for investment in corporate bonds and equity. To this end the creation of a new product, called Euro Croissance (EC), is envisaged. This product would guarantee the invested capital only at the termination of the contract, allowing for more flexible investment strategies without reducing too much the level of guarantees for the investor. Moreover, for contracts worth more than € 500,000 the current fiscal benefits will be granted only to the extent that the resources are invested in riskier products such as Unit-Linked or EC contracts. This would affect only 1% of the French households, but one fourth of the overall wealth invested in life insurance. Part of the unit linked and EC provision would have to be mandatorily invested into SMEs and social investment. In order to increase the effective duration of the life insurance policy, the current tax benefits would have to be applied only to the amounts actually kept invested for more than eight years. Moreover the contracts resiled after less than four years would have their yields taxed at the individual's marginal income tax rate.

In the final part of the year collection improved markedly, partly in anticipation of the tax regime change, which now favors life insurance and pension plans at the expense of direct ownership of stocks and bonds. In Germany life insurance collection was basically flat, with the dismal turnover seen in the first three quarters being offset by a strong showing, especially in single premium policies, in the final part of the year.

Moving to the non-life market, the sector's performance in terms of premium growth was generally positive in all the Western European countries, while results in the CEE region were less homogeneous.

However, the increase in premiums mainly reflect rate hikes, needed to compensate the overall poor technical profitability seen in the past year and the weak contribution of financial markets to overall profitability.

In Germany, non-life premiums were up by 3.7% thanks to a large extent to the 5.4% increase posted by motor lines, helped by the marked increase in car registrations. However, despite the strong growth in premium, the surge in weather related claim in the first part of the year kept the combined ratio stable at 97%, roughly similar to what seen in 2011.

In France rate increases pushed non-life premium up by 4%, with the motor lines growing in line with the average. However the combined ratio improved only marginally, to 102%, due to a marked increase in average claim costs.

This factor also explains the positive dynamics of the Motor sector, where rate hikes were necessary to restore technical profitability, which has worsened markedly in many European countries in recent years, due to the high levels of competition that characterize the market. Nonetheless, a constraint to the expansion of the Motor segment was derived from a significant fall in car registrations that occurred almost everywhere in Europe.

In Spain and several CEE countries premium decreased or showed a very weak increase, due mostly to strong competitive pressures, especially in the motor lines.

The Italian insurance market: volume and business breakdown

During the year 2012 the overall premium income in the insurance market posted a 3% decline.

Italian direct life premiums fell by 3.8% while in the non-life segment they dropped by 1.3%.

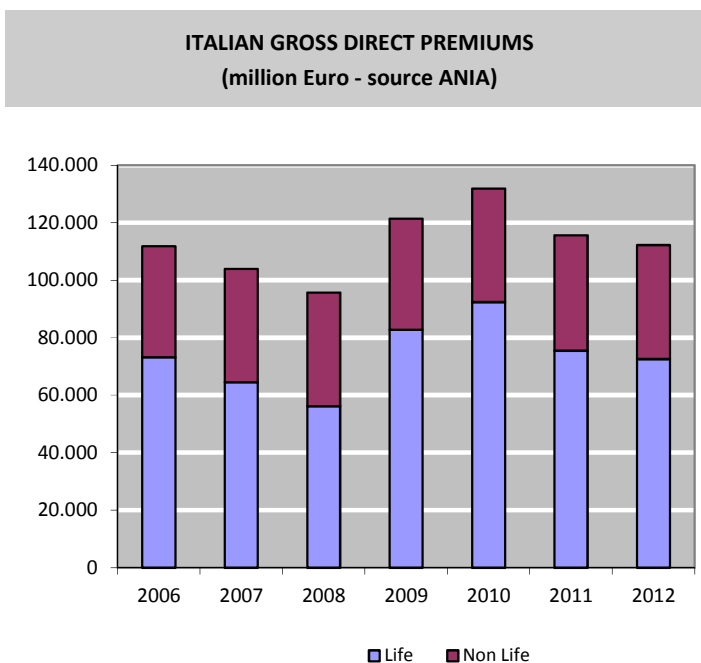
Premium income dynamics was heavily affected by the volatility created by the bankassurance channel. In the first half of the year, banks targeted their sales strategy in favour of deposits and bonds at the expense of traditional life products in order to enhance their liquidity and capitalisation.

As tensions on the financial markets abated thanks to the ECB intervention in the last quarter of the year, banks were able to focus again their sales on life products, in order to enhance non-interest income; however,

this improvement has only partially offset the contraction in premium income experienced in the first half of the year.

Premiums intermediated by banks slumped by 14,9% for the year as a whole, but the contraction was -21% y/y if we take into account the first part of the year.

Traditional products (Classes I and V), which have low financial risk due to prudent investment strategies and capital and return guarantees, accounted for more than 70% of the overall premium.



Unit-linked policies (Class III), mostly sold through banks, performed well (+8.1%).

The introduction of new products, distributing half-yearly coupons must be signalled.

According to data provided by ANIA, new business underwritten by Italian and EU companies fell by 8.8% in 2012.

LIFE INDIVIDUAL NEW BUSINESS (National, extra UE and UE companies – change %)				
	2012	2012	2011	2010
	mIn euro	ch.	ch.	ch.
Lob I	35.004	-15,1	-27,4	-3,0
Lob III	18.454	8,1	-11,7	37,9
of which	17.139	28,3	-13,0	-47,1
Unit	1.315	-64,6	-6,8	-32,4
Index				
Lob V	1.181	-26,3	-55,3	32,0
Other	106	11,1	5,8	-37,7
Total	54.745	-8,8	-24,8	5,9

Source: Ania

Bankassurance turnover fell considerably (-16.3%, -13.9% taking into account the off-shore business).

Despite that, bankassurance and Post Offices are still the most important outlets for life products, accounting for 47.7% of the overall premium income

(53.9% in 2011).

New business written by financial advisors experienced a significant growth of 24.4%; therefore its market share increased from 19.1% to 24.8%.

Agencies' market share fell from 16.7% in 2011 to 16.3%, tied agents increased their premium income by 5.3% and consequently their market share was on the rise and reached 9.9% (as opposed to 9% in 2011).

The non-life sector recorded a 1.3% decrease in gross direct premiums as a result both of the difficult economic situation and strong competitive pressures in the motor segment which hindered tariff increases. Premiums to GDP ratio was 2.5%.

MARKET SHARE PER DISTRIBUTION CHANNEL LIFE BUSINESS (percentage)					
Channel	2008	2009	2010	2011	2012
Banks	43,6	50,1	48,8	41,3	33,2
Tied Agents	23,8	15,7	16,3	16,7	16,3
Company Staff	11,6	8,4	7,3	9,0	9,9
Post Offices	10,1	8,7	10,3	12,6	14,5
Financial Adv.	10,1	16,3	16,2	19,1	24,8
Brokers	1,3	0,8	1,1	1,3	1,3
Total	100	100	100	100	100

Source: IVASS and Ania, data processed by R&D.

During 2012 significant operations involved ARAG (a leading company in Credit and Suretyship lines) and COFACE (dealing with legal insurance and financial loss services) which transferred their whole insurance portfolio to ARAG SE and COFACE SA respectively, both European Public Companies.

They are therefore no longer subject to the supervision of the Italian Insurance Control Authority (IVASS).

IVASS data show that Italian Branches of EU Companies continued to improve their performance, writing 10.7% of the overall premium income in the non-life sectors, after the 9.5% posted in 2011.

The non-life segments were adversely affected by the poor trend in the motor lines (-2.1%), depressed by new vehicle registration plunged at historical lows and fierce competition among insurers.

ITALIAN GROSS DIRECT PREMIUMS						
National, extra Ue and UE companies (million Euro)						
Lines of business	2012	Share %	Ch.% '12/'11	Ch.% '11/'10	Ch.% '10/'09	Ch.% '09/'08
Accident	3.369	3,0	-0,4	0,2	0,1	-1,4
Health	2.289	2,0	-1,0	-0,8	3,9	1,5
Motor other risks	2.871	2,6	-8,0	-2,0	-1,4	-1,7
Marine, aviation & transports	776	0,7	-6,7	0,6	-3,6	-6,0
Fire	2.644	2,4	-0,1	0,3	3,1	1,9
Other damages	2.968	2,6	0,1	0,5	0,8	0,6
Motor TPL	18.507	16,5	-1,1	4,7	4,2	-3,7
General Liability	3.796	3,4	3,2	-3,1	-3,7	0,4
Credit & suretyship	954	0,9	-2,0	6,2	2,7	-7,5
Others	1.471	1,3	-5,2	2,3	-1,3	2,6
Total NON - LIFE	39.646	35,3	-1,3	1,9	1,8	-1,9
<i>of which motor</i>	21.378	19,0	-2,1	3,6	3,3	-3,4
<i>non-motor</i>	18.269	16,3	-0,4	-0,1	0,1	-0,2
Total LIFE	72.595	64,7	-3,8	-18,3	11,7	47,3
Total	112.241	100,0	-3,0	-12,3	8,5	27,0

Source: Ania / IVASS

Despite the difficult economic context affecting the situation of family and company budgets, the non-motor segment dropped only slightly:-0.4%.

The only exception is the General Liability LoB where turnover was up by 3.2%, partly thanks to coming into force of the decree mandating professionals to take out professional TPL insurance policies.

Agencies are by far the most important distribution channel handling 81.3% of premiums. They are followed by brokers (7.4%) specializing in commercial risks.

As stated in past editions of the Insurance Dossier, this figure tends to underestimate the brokers' weight, because the IVASS statistics we rely on only refer to direct dealings between brokers and insurance companies, whereas in several cases, the broker contacts the agent, to which the policy is then attributed.

Channel	MARKET SHARE PER DISTRIBUTION CHANNEL				
	NON LIFE BUSINESS				
	(Percentage)				
	2008	2009	2010	2011	2012
Tied Agents	84,1	82,3	82,4	81,6	81,3
Brokers	7,5	8,4	8,0	8,0	7,4
Company Staff	3,3	3,0	2,0	2,1	2,8
Direct selling (phone-Internet) *	2,8	3,0	4,1	4,7	5,2
Banks	2,2	2,6	3,4	3,5	3,2
Financial Adv.	0,1	0,1	0,1	0,1	0,1
Total	100	100	100	100	100

The direct channel, continued to improve its performance, rising from 4.7% to 5.2% and almost reached 8% in the motor segment (as opposed to approximately 7% in 2011).

Source: IVASS and Ania, data processed by R&D

* Main Channel data

The banking channel, which mainly focuses on non-motor insurance products, showed a slight decline (3.2% against 3.5% in 2011).

Ranking of Groups: all segments

The year 2012 was marked by an important M&A deal: Unipol, which took over SAI Fondiaria, became the market leader in terms of premium income and the largest non-life company.

The Italian Competition Authority expressed its concerns about impact of the merger which would have resulted in Unipol having dominant position, since its market share would exceed 30% in many Italian provinces. As a consequence, during 2013 the group is required to divest company branches worth € 1.7 billion Euro of premiums.

Other takeover operations were performed: the Company Inter Partner Assistance was taken over by Axa, while the group Helvetia took over Chiara Vita and Chiara Assicurazioni and lastly Aviva acquired 100% of Area Life International.

Internal reorganisation within the main insurance groups continued, in order to streamline company structures and reduce their management costs: RB Vita and Assicuratrice Italiana Vita merged with Allianz and Fata Vita was merged into Genertellife.

Generali confirmed its market leadership in terms of global business, with a premium income of € 20,007 million and a 17.8 % market share.

LIST OF THE TEN LEADING GROUPS								
Italian direct premiums in 2012 (million Euro)								
Rank 2012	Rank 2011	Group	TOTAL	Share %	LIFE	Share %	NON LIFE	Share %
1	1	Generali	20.007	17,8	12.436	17,1	7.571	19,1
2	7	Unipol	15.950	14,2	5.374	7,4	10.576	26,7
3	4	Poste Italiane	10.568	9,4	10.517	14,5	51	0,1
4	2	Intesa San Paolo	10.184	9,1	9.961	13,7	223	0,6
5	3	Allianz	9.503	8,5	5.082	7,0	4.421	11,2
		FIRST FIVE GROUPS	66.213	59,0	43.371	59,7	22.842	57,6
6	5	Mediolanum	7.977	7,1	7.936	10,9	41	0,1
7	10	Cattolica	3.516	3,1	1.831	2,5	1.685	4,3
8	12	Zurigo	3.142	2,8	1.636	2,3	1.506	3,8
9	8	Aviva	3.112	2,8	2.629	3,6	483	1,2
10	9	AXA	3.104	2,8	1.280	1,8	1.824	4,6
		SECOND FIVE GROUPS	20.851	18,6	15.311	21,1	5.540	14,0
		TOTAL	112.241	100	72.595	100	39.646	100

Unipol came second, with a premium income of 15,950 million and a 14.2% market share followed by Poste Italiane (9.4%) which overtook Gruppo Intesa San Paolo with a premium income of 10,184 million and a market share of 9.1%. Allianz ranked fifth (8.5%).

Some improvements are worth mentioning: Cattolica rose to the seventh position (3.1%), Zurich ranked eighth with a 2.8% market share, followed by Aviva and Axa.

In 2012 market concentration further increased: the five leading groups earned 59 % of the total premium income as against 52.4 % in 2011.

The overall market share held by the ten leading groups rose from 76.1% to 77.6%.

Ranking of Groups: life segments

Generali confirmed its long-standing leadership in the ranking of the main groups with a premium income amounting to 12,436 million Euro and a 17.1% market share (16.4% in 2011).

Poste Italiane became the second-largest Italian insurance group, with a 14.5% market

share and a premium income of 10,517 million, whilst Intesa San Paolo fell to third. Mediolanum remained in fourth place, with a share of 10.9%, and a premium income of 7,900

LIST OF THE TEN LEADING GROUPS IN LIFE SECTOR						
Rank 2012	Rank 2011	Group	TOTAL	Share %	Change %	
1	1	Generali	12.436	17,1	0,4	
2	3	Poste Italiane	10.517	14,5	10,6	
3	2	Intesa San Paolo	9.961	13,7	-9,5	
4	4	Mediolanum	7.936	10,9	-15,8	
5	8	Unipol	5.374	7,4	25,2	
		FIRST FIVE	46.224	63,7	-4,1	
6	5	Allianz	5.082	7,0	-13,4	
7	7	Cardif/BNP	2.918	4,0	-7,5	
8	6	Aviva	2.629	3,6	-29,0	
9	9	Cattolica	1.831	2,5	-14,1	
10	13	Credit Agricole	1.690	2,3	-29,0	
		SECOND FIVE	14.150	19,5	5,2	
		OTHERS	12.221	16,8	-11,6	
		TOTAL	72.595	100	-3,8	

million followed by Unipol (7.4% market share and a premium income of 5,400 million).

Allianz ranked sixth with a 7% market share; Aviva fell from sixth to eighth place, followed by Cattolica. Credit Agricole moved up three positions, becoming the tenth largest group in Italy.

Market concentration remained virtually unchanged in 2012 as compared to 2011: the top five groups have a combined market share of 63.7%, as against 63.5% in 2011; if the premium income of the top ten companies is considered, the concentration increased from 81.7% to the current 83.2%.

Ranking of Groups: non-life segments

Following the takeover of Fondiaria SAI, the Unipol Group is today the largest group operating in the non-life business with a market share of 23.7% and a premium income amounting to 10,576, followed by Generali (19.1% and 7,571 million).

Allianz took again third place (11.2% and 4,421 million), ahead of Reale Mutua (5.1%) and Axa (4.6%)

In 2012 market concentration was on the rise: the combined market share of the top five groups amounted to 66.6% (63.3% in 2011).

LIST OF THE TEN LEADING GROUPS IN NON LIFE SECTOR						
Rank 2012	Rank 2011	Group	TOTAL	Share %	Change %	
1	4	Unipol	10.576	26,7	-6,4	
2	1	Generali	7.571	19,1	-2,0	
3	3	Allianz	4.421	11,2	1,2	
4	5	Reale Mutua	2.016	5,1	-1,9	
5	6	AXA	1.824	4,6	6,4	
		FIRST FIVE	26.408	66,6	3,8	
6	7	Cattolica	1.685	4,3	3,6	
7	8	Zurigo	1.506	3,8	-4,7	
8	9	GAN/Groupama	1.326	3,3	-1,6	
9	10	Vittoria (Acutis)	899	2,3	10,9	
10	11	ACI/Sara	649	1,6	-5,0	
		SECOND FIVE	6.065	15,3	-14,3	
		OTHERS	7.173	18,1	15,5	
		TOTAL	39.646	100	2,3	

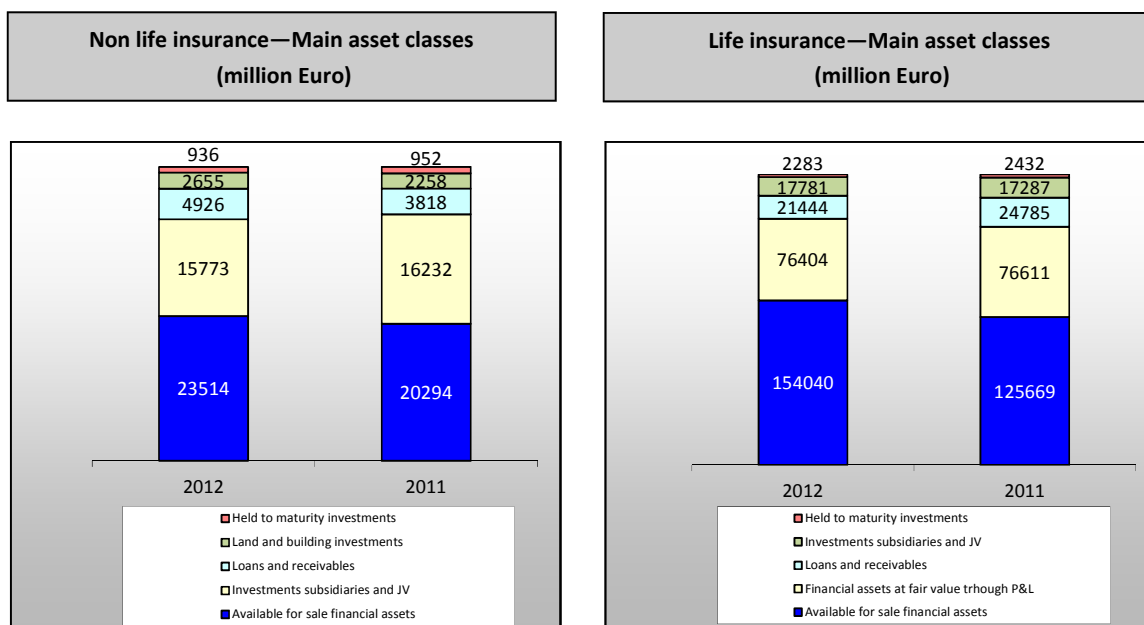
If the premium income of the top ten companies is taken into consideration, concentration increased from 80.9% to the current 81.9%.

Assets held by insurance companies

According to the financial statements of the main Insurance groups listed on the Italian Stock Exchange (Generali, Unipol, Cattolica, Reale Mutua, Mediobanum and Vittoria), the total assets of insurance companies grew by 6.4% in 2012, mainly thanks to the increase in bond prices following the BCE intervention .

It must be emphasized that 86.5% of assets are linked to financial investments (against 83.6% in 2011). In the non-life lines, assets under management were up by 3.7%.

Financial investments accounted for 67.9% of the total. In the life insurance business assets under management were up 7.1% compared to 2011. Financial investments accounted for 90.9% of total assets (88.4% last year).



Profit and Loss Accounts of listed groups

The following figures, from which we can sketch a picture of the technical trend of the Italian insurance market, have been taken from the financial statements of the main groups listed on the Stock Exchange which - in terms of premiums - account for 60% of the non-life insurance market and 50% of the life market.

Data referring to some important bankassurers are not included in the life business since their full financial statements are unavailable.

During the second half of the year, P&L accounts of listed companies showed good results with a considerable growth in profitability driven by the positive effects of the measures taken by the ECB in the financial markets.

It should be emphasised that the significant improvement of technical results in the area of non-life and, in particular, the motor sector, was an important factor contributing to the overall financial performance of the companies.

Profit and Loss Accounts of listed Groups: Life business

Although the sample of listed companies in the life business is not as representative of the whole market as the one in the non-life business, analysis of the data published by the operators so far provides some useful information.

Due to the further decline in the premium income in 2012, the ratio of costs to premiums reached 6.5% (against 5.7% in 2011).

Administrative costs and acquisition costs grew slightly (1.4% against 1.2% and 4.1% against 3.5% in 2012, respectively).

Claims paid, including variations in technical reserves fell by 10.4%, from €46.2 billion in 2011 to €41.4 billion in 2012.

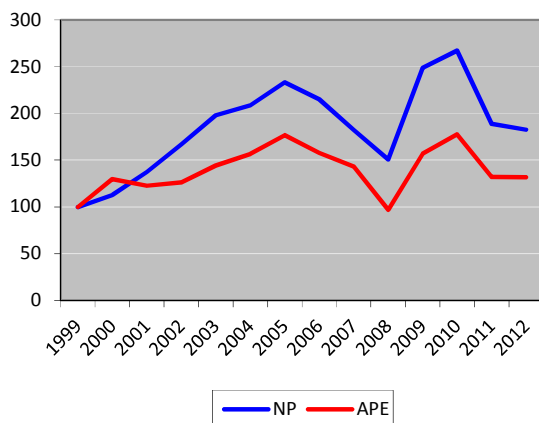
Pre-tax profits were up by 60%; the return on investment (ROI) increased from 0.3% to 0.5% and return on equity (ROE) from 5.1% in 2011 to 6.1%.

New life business, as well as premium income, decreased in 2012 (-3.3%).

RECLASSIFIED PROFIT AND LOSS ACCOUNT LIFE BUSINESS Italian portfolio (million Euro)		
	2012	2011
Gross written premiums	36.122	45.314
Net earned premiums	35.279	44.397
Income from financial instruments at fair value entered in P&L account	4.502	-773
Income from other financial instruments	8.896	8.965
Income from subsidiaries	464	767
Claims paid and change in insurance provisions	41.433	46.243
Charges deriving from other financial instruments	3.492	3.167
Net operating expenses	2.285	2.529
Earning before tax	1.420	888

Source: P&L accounts of listed companies processed by R&D

LIFE New Business APE
(1999=100) Source: IVASS data processed by R&D



In terms of business mix, single-premiums fell 3.8%, while recurrent premiums increased by 4.6%.

Finally, considering value creation, the contribution of financial asset revaluation was particularly strong.

The total embedded value (including dividends paid and changes in net equity) of the insurance groups which publish it grew by 48,8% if compared with 2011.

Profit and Loss Accounts of listed groups : Non-life business

The sample of listed companies ended the 2012 financial year with a pre-tax profit of € 555.4 million, a substantial improvement if compared to the € 235.5 million loss recorded in the previous year, as a result of the significant improvement of all technical ratios during 2012.

The combined ratio fell by five percentage points, from 101% to 95.8% and the data for the first quarter of 2013 seem to confirm this trend.

The costs to premiums ratio slightly declined (23.5%); the acquisition costs to premiums ratio was 19%, while

RECLASSIFIED PROFIT AND LOSS ACCOUNT NON LIFE BUSINESS Italian portfolio (million Euro)		
	2012	2011
Gross earned premiums	25.010	25.460
Assigned premiums	2.338	2.420
Net earned premiums	22.672	23.040
Income from financial instruments at fair value entered in P&L account	25	-7
Income from other financial instruments	1.570	1.362
Income from subsidiaries	810	1.114
Claims paid and change in insurance provisions	16.820	18.080
Charges deriving from other financial instruments	1.493	1.382
Net operating expenses	5.325	5.491
Other costs	2.165	2.029
Earning before tax	555	-253

Source: P&L accounts of listed companies processed by R&D; figures do not include Allianz since a P&L account for Italy is not published yet

the administration costs to premiums ratio was 4.5%.

The profitability of the non-life segments improved in 2012.

The “profit for year to total assets” ratio (ROI) was up (+0.8% from -0.4%). Moreover, the “return on equity” (ROE) increased by over eight percentage points from -3% in 2011 to 5.3%.

In the motor segment the loss ratio posted a near 10 pp improvement thanks to the further and significant drop in the claims frequency, down to 9.62% in the fourth quarter of the year (-12.4% as compared to 2011), due mostly to a less intensive use of the vehicles.

On top of that, there was a significant decrease in the average cost of claims (-6.5% for caused claims and -5.4% for handled claims), due to the effects of the coming into force of the new rules for bodily injuries compensation.

In case of minor cervical spine lesions (also known as whiplash) claims are now paid only after a certified physician’s signed document attesting the injury visually or instrumentally.

The improvement coming from the claims side was offset by strong competitive pressures as shown by the further improvement of the direct channel, which intermediates 11.5% of the total motor turnover.

Italian Households' savings

Italian households' saving rate fell to an historical low of 7.9% in 2012. As a consequence the net purchase of financial assets dropped from around € 36 billion in 2011 down to € 16 billion in 2012, the lowest value since 1995. The increase in total wealth was almost entirely due to asset revaluation, concentrated in the last months of the year.

Term deposits, which were worth 51 billion €, were the most popular products due to the lower tax rate on investment yields and to the use of aggressive market campaigns by banks for this kind of products.

On the contrary, large disinvestments in government securities (both short-and long-term) have occurred during the first part of 2012. This trend reversed in the final part of the year in connection with the European Central Bank measures aimed at easing the European debt crisis and with investors showing renewed confidence in the stock market.

As regards investment funds, the Italian ones continued to record significant outflows (- 6 billion €) to the advantage of foreign investment funds (+ 22 billion €). The bond asset class recorded the highest net inflows in the final quarter of the year.

The total amount of shares purchased directly by households reached € 7 billion. The drop of premium income in the life sector pushed down the demand for pension funds and life insurance products.

Thanks to the recovery of stock markets, shares and fund investment units were on the rise and accounted for 28% of the whole portfolio, as against 29% of bank products and 19% of life insurance and pension funds reserves. Compared to 2011, it appears that Italian households have made a significant move towards riskier financial portfolios, resulting in better diversification.

According to the data referring to the first part of this year, such trend is likely to continue in the course of 2013 showing a rise of investment funds distributed by banks and brokers. As regards products we must emphasise the robust growth of coupon bonds offering periodic interest payment.

Financial assets and liabilities of families

ASSET	End of period stocks		Flows		
	2012	Composizione		2011	2012
		2011	%		
Currency and notes	120.149	3,3	3,2	6.967	1.964
Banking instruments	1.059.587	28,6	28,5	7.520	37.194
<i>Of which: sight deposit</i>	489.543	14,0	13,2	-17.996	-8.407
<i>Other deposits</i>	194.579	4,0	5,2	10.312	50.958
<i>Medium and long term securities</i>	375.465	10,6	10,1	15.204	-5.357
<i>Bank and Postal instruments</i>	344.281	9,3	9,3	4.218	14.740
Bonds	188.475	5,3	5,1	61.551	-27.684
<i>Of which: short term</i>	13.817	0,7	0,4	14.206	-11.280
<i>Medium and long term</i>	174.658	4,6	4,7	47.345	-16.405
No financial corporate bonds	4.629	0,1	0,1	-16.234	-5.872
Mutual funds shares	267.437	6,6	7,2	-18.843	16.667
<i>Of which: italians</i>	144.692	4,1	3,9	-22.783	-5.853
<i>foreign</i>	122.745	2,5	3,3	3.940	22.520
Shares and other equity	763.984	19,4	20,6	4.609	5.663
<i>Of which: italians</i>	726.313	18,3	19,6	2.597	7.381
<i>foreign</i>	37.671	1,1	1,0	2.012	-1.718
Other foreign financial assets	160.780	5,0	4,3	-14.476	-23.902
Insurance, pension funds and TFR	693.509	19,1	18,7	2.210	-1.667
<i>Of which: life insurance reserves</i>	427.268	11,7	11,5	-331	-5.226
Other financial assets	116.962	3,3	3,1	-1.126	-1.494
Totale assets	3.716.294	100,0	100,0	36.397	15.610
LIABILITIES					
Short term debt	59.989	6,4	6,4	1.308	-151
<i>Of which: banking</i>	58.289	6,2	6,3	1.618	-103
Medium and long term debt	649.748	70,3	69,8	17.235	-6.738
<i>Of which: banking</i>	551.938	59,9	59,3	20.671	-6.076
Other financial liabilities	220.719	23,2	23,7	1.125	3.635
Totale liabilities	930.456	100,0	100,0	19.667	-3.253
BALANCE	2.785.838			16.730	18.863

Source: Bank of Italy, Financial Accounts



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